

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 SIL-01 /127 W
-----012955 301424Z /45

R 301255Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6876
INFO ALL EC CAPITALS
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 10439

USEEC

GENEVA ALSO FOR MTN DEL

E.O. 11652: GDS
TAGS: ETRD, EEC
SUBJECT: US-EC CONSULTATIONS: PLENARY DISCUSSION OF TRADE
ISSUES OTHER THAN STEEL

1. SUMMARY: PLENARY SESSION MAY 26 HEARD REPORT OF PREVIOUS DAY.S WORKING GROUP ON TRADE AND STEEL ISSUES, DISCUSSED POTENTIAL PROBLEMS IN THE EXPORT CREDIT CONSENSUS, AND EC CONCERNS ON COUNTERVAILING DUTY WAIVER EXPIRATIONS, US SPECIALTY STEEL QUOTAS AND ZENITH AND US STEEL COURT CASES. OTHER STEEL ISSUES ARE REPORTED SEPARATELY. END SUMMARY.

2. WORKING GROUP REPORT:
EC DEPUTY DIRECTOR GENERAL LOEFF DELIVERED REPORT OF PRECEDING DAY.S WORKING GROUP DISCUSSION (SEE SEPTTEL).

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HE MADE FOLLOWING REMARKS ON AGRICULTURAL ITEMS:

ON SUBSIDIES FOR PROCESSED FRUITS AND VEGETABLES HE SAID THAT THE EC HAD TAKEN NOTE OF US CONCERNS AND REQUEST FOR ADVANCE CONSULTATIONS AND WOULD RESPOND. ON SUGAR, HE NOTED THAT THE POSSIBILITY OF EC ADHERENCE TO THE INTERNATIONAL SUGAR AGREEMENT IS UNDER CONSTANT CONSIDERATION.

HE SAID THAT THE EC WOULD LOOK INTO US CONCERNS OVER POSSIBLE AGGRESSIVE MARKETING POLICIES OR CHANGES IN RESTITUTION LEVELS WHICH COULD LEAD TO USG RECONSIDERATION OF COUNTERVAILING DUTY WAIVERS ON CANNED HAMS AND BUTTER COOKIES. HE NOTED THAT THE EC HAD DRAWN U.S. ATTENTION TO CERTAIN QUESTIONABLE PRACTICES FOR POULTRY EXPORTS.

3. ON INDUSTRIAL QUESTIONS OTHER THAN STEEL LOEFF SAID EC SIDE HAD EXPLAINED ITS THINKING ON THE EMERGING SYNTHETIC FIBER CARTEL AND HAD STRESSED THAT IT WOULD HAVE NO EXTERNAL RESULTS OTHER THAN TO REDUCE PRESSURES ON THE WORLD MARKET. ON PULP AND PAPER THE EC SIDE SAID IT HAD NO INTENTION TO MOVE TOWARD A CARTEL.

4. FOLLOWING PRESENTATION OF REPORT, US SIDE (BARRACLOUGH AND COOPER) REPEATED ITS INTEREST IN AS A EARLY AS POSSIBLE AN ANSWER TO US REQUEST FOR PRIOR CONSULTATION ON THE SUBJECT OF SUBSIDIES FOR PROCESSED FRUITS AND VEGETABLES.

5. ON EXPORT CREDITS, COOPER NOTED THAT THE US, THE EC AND OTHERS HAD BEEN ABLE ONLY RECENTLY TO REACH AN AGREEMENT ON THE TERMS AND MATURITIES FOR EXPORT CREDITS EXTENDED BY OFFICIAL INSTITUTIONS. HE SAID THAT US BUSINESSES, AND NOW THE US CONGRESS, HAVE BECOME CONCERNED OVER SEVERAL TRANSACTIONS THAT THEY CONSIDER TO BE A CIRCUMVENTION OF THE CONSENSUS. ACCORDINGLY THE EXPORT-IMPORT BANK IS UNDER CONFIDENTIAL

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GROWING PRESSURE TO COMPETE. HE THOUGHT IT IS IN NEITHER OF OUR INTERESTS TO SEEK TO CIRCUMVENT THE CONSENSUS AND EXPRESSED HOPE THAT UPCOMING TALKS ON AIRCRAFT ON JUNE 1 AND ON TANKERS ON JUNE 19 AT THE EXPERT LEVEL WOULD ALLOW FOR A WORKING OUT OF PROBLEMS. HE ADDED THT THE ISSUE IS SERIOUS ENOUGH SO THAT SHOULD EXPERT LEVEL AGREEMENT NOT BE REACHED, THE US WOULD TAKE THE ISSUE TO THE OECD MINISTERIAL AND PERHAPS TO THE BONN SUMMIT. HE SAID HE KNEW THE COMMISSION HAD BEEN INSTRUMENTAL ON THE EC SIDE IN GETTING THE CONSENSUS OFF THE GROUND AND HOPED IT COULD CONTINUE TO BE HELPFUL. HAFERKAMP REPLIED BY SAYING THAT THE COMMISSION IS DOING EVERYTHING IT CAN TO TRANSLATE THE CONSENSUS INTO A REALITY. IF IT IS NOT BEING RESPECTED, LET.S GET FULL INFORMATION AND SEE HOW TO KEEP IT TOGETHER. HE HOPED THAT UPCOMING EXPERT MEETINGS WOULD BE EFFECTIVE.

6. COUNTERVAILING DUTY WAIVERS ON CHEESE, CANNED HAMS AND BUTTER COOKIES:

EC SIDE (LOEFF) NOTED THAT EXISTING WAIVERS EXPIRE ON JANUARY 4, 1979. ALTHOUGH IDEAL SITUATION IS TO FINISH THE MTN ON TIME AND OBTAIN CONGRESSIONAL APPROVAL FOR PACKAGE PRIOR TO THAT DATE, COMMISSION ASKED WHAT CONTINGENCY

PLANNING THERE WAS SHOULD THERE BE A DELAY. HE CALLED THE
WAIVERS A TIME BOMB WHICH COULD POSE VERY GRAVE DIFFICULT-
IES. COOPER REPLIED THAT THE EARLY EXPIRATION OF THE
WAIVER AUTHORITY COULD BE SEEN AS AN INDICATION OF CON-
GRESSIONAL CONCERN ABOUT SUBSIDIES. CONGRESS HAD INSERTED
THE WAIVER AUTHORITY RELUCTANTLY IN ACKNOWLEDGEMENT THAT
IT WOULD TAKE TIME TO NEGOTIATE A CODE ON SUBSIDIES.

THE EXPIRATION UNDERLINES WHY THE MAJOR FEATURES OF A CODE
MUST BE AGREED BY MID-JUNE. HINTON ADDED THAT US POLICY-
MAKERS ARE TOTALLY ENGAGED IN WORKING TOWARD A SUCCESSFUL
MTN AND THAT THERE IS NO CONTINGENCY PLAN.

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 10439

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THE EXPIRATION UNDERLINES WHY THE MAJOR FEATURES OF A CODE
MUST BE AGREED BY MID-JUNE. HINTON ADDED THAT US POLICY-
MAKERS ARE TOTALLY ENGAGED IN WORKING TOWARD A SUCCESSFUL
MTN AND THAT THERE IS NO CONTINGENCY PLAN.

7. SPECIALTY STEEL QUOTAS:
EC SIDE (LOEFF) EXPRESSED DISAPPOINTMENT OVER JANUARY
DECISION OF PRESIDENT TO CONTINUE QUOTAS. HE SAID HE
UNDERSTOOD THERE IS ALREADY PRESSURE BUILDING IN THE US
TO EXTEND THE QUOTAS BEYOND THEIR EXPIRATION DATE IN
MID-1979. HE NOTED THAT THE EC CONTINUED TO RESERVE ITS
GATT RIGHTS AND WONDERED WHETHER THE TIME WAS COMING FOR
FORMAL GATT CONSULTATIONS ON THE QUESTION. US SIDE (COOPER

AND BARRACLOUGH) REPLIED THAT IT IS IN NEITHER OF OUR INTERESTS TO RAISE THE ISSUE OF COMPENSATION OR RETALIATION AT THIS TIME. THE US ACCEPTS THAT THE EC HAS RESERVED ITS GATT RIGHTS AND WOULD NOT SEEK TO UNDERMINE THIS ACCEPTANCE. IF THE EC INSISTS ON CONSULTATION, WE WOULD OF COURSE PARTICIPATE. HOWEVER, WE DO THINK TIMING IS UNWISE
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AND COULD MAKE ISSUE A POLITICAL ONE. HINTON ADDED HIS IMPRESSION THAT RAISING THE PRESSURE ON THIS ISSUE NOW WOULD CAUSE PEOPLE TO DO THE SAME ON OTHER CASES. IN REPLY, LOEFF SAID THAT HE SAW THE US POINT AND WOULD REFLECT FURTHER. HE ADDED, HOWEVER, THAT THE EC DOES THINK ITS TRADE HAS BEEN RESTRICTED. IN GENERAL, EC QUOTAS HAVE FILLED A MONTH AFTER THEY OPENED AND (2) THERE IS GROWING PRESSURE WITHIN THE COMMUNITY TO ACT. CONSULTATIONS WOULD BE ONE WAY TO RESPOND TO THIS PRESSURE. HAFERKAMP SUGGESTED THAT THE STEEL GROUP LOOK INTO THIS QUESTION WHEN THE SESSION RESUMED LATER IN THE DAY (SEE FURTHER REPORTS).

8. STATUS OF ZENITH AND US STEEL CASES: EC SIDE (LOEFF)
EXPRESSED APPRECIATION FOR CLEAR POSITION THAT USG HAS MAINTAINED WITH RESPECT TO TAX REBATES IN ZENITH AND US STEEL CASES. HE SAID THE EC WANTED THE US TO REMAIN AWARE OF THE IMPORTANCE IT ATTACHES TO THESE CASES AND ASKED FOR US EXPECTATIONS ABOUT SUPREME COURT OUTCOME IN ZENITH CASE. IN REPLY, COOPER SAID THAT USG CONTINUES TO THINK THAT THESE REBATES ARE NOT COUNTERVAILABLE. HE SAID USG IS FRANKLY PUZZLED OVER WHY SUPREME COURT AGREED TO HEAR THE CASE BUT THAT US LAWYERS DO NOT BELIEVE THIS SHOULD BE INTERPRETED AS MEANING THAT THE SUPREME COURT DISAGREES WITH THE APPELLATE COURT DECISION. USG HAS NO INFORMATION ON WHAT COURT DECISION WILL BE AND EXPECTS DECISION TO BE REACHED BEFORE THE END OF JUNE. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, FOREIGN TRADE, MEETINGS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE10439
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780225-1240
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978059/aaaaahfn.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 90d1cba3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2781854
Secure: OPEN
Status: NATIVE
Subject: US-EC CONSULTATIONS: PLENARY DISCUSSION OF TRADE ISSUES OTHER THAN STEEL
TAGS: ETRD, EEC
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/90d1cba3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014